

**REPARATION COMMISSION.**

**X A.**

**OFFICIAL DOCUMENTS.**

**Report by the Commissioner for the German Railways  
(First working half-year of the Company).**

**Report of the Commissioner of the Reichsbank (11th  
October, 1924—30th April, 1925).**

**Report of the Commissioner of Controlled Revenues  
(1st October, 1924—28th February, 1925).**

**Report of the Trustee for German Industrial Debentures  
(1st October, 1924—28th February, 1925).**

**Report of the Trustee for German Railway Bonds  
(11th October, 1924—28th February, 1925).**



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TELETYPE COMMISSION

X A.

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OFFICIAL DOCUMENTS

Report of the Commission for the German Railway  
(1st October 1924-30th September 1925)  
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**X<sub>a</sub>.**

	Pages.
<b>Report by the Commissioner for the German Railways.....</b> (First working half-year of the Company.)	<b>3</b>
<b>Report of the Commissioner of the Reichsbank.....</b> (11th October 1924-30th April 1925.)	<b>13</b>
<b>The Report of the Commissioner of Controlled Revenues.....</b> (1st October 1924-28th February 1925.)	<b>21</b>
<b>Report of the Trustee for German Industrial Debentures.....</b> (1st October 1924-28th February 1925.)	<b>27</b>
<b>Report of the Trustee for German Railway Bonds.....</b> (11th October 1924-28th February 1925.)	<b>33</b>

XA. 1925



D-43  
A5

Report by the Commissioner for the German Railways	1
First meeting half-year of the Company	1
Report of the Commissioner of the Reichsbank	1
1st October 1934 10th April 1935	1
The Report of the Commissioner of Controlled Revenue	1
1st October 1934-31st February 1935	1
Report of the Trustee for German Industrial Debentures	1
1st October 1934-31st February 1935	1
Report of the Trustee for German Railway Bonds	1
1st October 1934-31st February 1935	1

# REPORT

**BY THE**

## COMMISSIONER FOR THE GERMAN RAILWAYS

**(FIRST WORKING HALF-YEAR OF THE COMPANY)**

REPORT

BY THE

COMMISSIONER FOR THE GERMAN RAILWAYS

(FIRST WORKING HALF-YEAR OF THE COMPANY)



OFFICE OF THE GERMAN RAILWAY  
COMMISSIONER.

Berlin, 30 April 1925.

**REPORT**  
**BY THE COMMISSIONER FOR THE GERMAN RAILWAYS.**  
**(FIRST WORKING HALF-YEAR OF THE COMPANY.)**

**FOUNDATION OF THE COMPANY.**

The German Railway Company (Deutsche Reichsbahngesellschaft) was constituted in conformity with the Law and with the Statutes of the Railways: its constitution was described in a Report dated 2 October 1924 to the Reparation Commission.

Since then the Company has developed along the lines provided under the new organisation, and appears to give satisfaction in spite of the difficulties inherent upon such a radical re-organisation of the working of the railways.

I will here first of all recall the fact that the Board of the Company, consisting of nine members appointed by the German Government and nine members appointed by the Trustee, held its first meeting in Berlin on 27 September 1924. The Board chose Herr von Siemens as Chairman, Herr Stieler and Sir William Acworth as vice-Chairmen, and Herr Oeser as General Manager of the Company. On the same day the foreign members of the Board appointed M. Leverve, Railway Commissioner.

In conformity with its Statutes, the Company on 1 October 1924 created and delivered to the Trustee, M. Delacroix, a first mortgage bond (reparation bond) for 11 milliard gold marks.

The preference shares for which provision is made in the Statutes, and to which reference is made later in the Report, have not yet been created.

On 11 October 1924, the Deutsche Reichsbahngesellschaft took over the working of the Railways of the Reich in the condition in which they were left by the Deutsche Reichsbahn undertaking, which had itself been created as an autonomous administration, and had been entrusted by the Government with the working of the railways since 15 February 1924. The Deutsche Reichsbahn undertaking therefore transmitted to the new Company on 11 October all its assets, supplies, cash in hand, Bank assets and miscellaneous assets amounting to a total of 867 million gold marks, together with its debts and miscellaneous liabilities amounting to 111 millions.

On 16 November 1924 the lines operated by the Franco-Belgian Régie were also handed over to the Company, which has been in possession of the whole German-railway system since that date.

For the first Reparation year, which began on 1 September 1924, the Company assumed responsibility for reparation payments as from that date, on condition that it benefited by the working surpluses to be paid by the Régie for the period subsequent to 1 September 1924. Consequently, the Company on 1 March 1925 made its first Reparation Payment of 100 million gold marks to the credit of the Agent General for Reparation Payments at the Reichsbank, for the account of the Trustee and it will have to pay a second instalment of 100 millions on 1 September 1925.

**BALANCE SHEET OF THE COMPANY.**

Under the terms of Article 25 of the Statutes of the Company, the latter must draw up a Balance Sheet and a Profit and Loss Account at the end of each financial year.

The Board has considered the procedure to be followed for the establishment of this balance sheet and of the opening balance sheet, which presents technical difficulties.

The Company has to assume responsibility for Reparation Bonds for 11 milliards. It has further to issue preference shares for 2 milliards, to pay the proceeds from the sale of one quarter of these shares to the Government, and to retain the proceeds from the remainder. It must pay interest and amortisation on the Reparation Bonds, and thereafter dividend and sinking fund on the preference shares, which have been issued.

On the other hand the Company only runs the railways which still belong to the Reich, nether does it own the movable and immovable property purchased with its available funds during the period for which it works the railways, since, when the concession comes to an end, after the Reparation Bonds and the preference shares have been paid in full, it must go into liquidation and hand over all available assets to the Reich, after paying off all debts and charges in full (Article 42 of the Law).

The Balance Sheet and Profit and Loss Account, which will be drawn up at the end of the first financial year can alone show the position of the Company, but it may be of interest to give at present some information subject to the necessary reservations with regard to the estimates of income and expenditure of the Company, and the first results of its working.

ESTIMATES OF THE COMPANY. — FINANCIAL YEAR 1925.

The Company established its estimates of income and expenditure for its first financial year (financial year 1925) for the period from 1 October 1924 to 31 December 1925, that is, for five quarters, 1 October 1924 was fixed as the initial date, instead of 11 October, in order to simplify the commercial procedure involved.

In this budget (fifteen months), the Company estimated its working receipts during 15 months as follows :

Traffic Receipts. — Passengers and luggage.....	1,644,000,000
Traffic Receipts. — Goods.....	3,500,000,000
Miscellaneous Receipts.....	299,400,000
<b>TOTAL.....</b>	<b>5,443,400,000</b>

Of this total the amount estimated for 1925 only is

4,452,300,000 marks.

These estimates have been established on the supposition that the economic restoration of the country will mean a progressive improvement of passenger and goods traffic, and consequently an increase in receipts in 1925. We shall see below how far these estimates are justified by the first working results.

The passenger receipts for the normal year 1925 (12 months) have been estimated on a basis of 44 milliard passenger-kilometers, with an average revenue of 3.1 pfennigs, whilst in 1913 the traffic was 36.6 milliard passenger-kilometers, with an average revenue of 2.47 pfennigs including revenue from luggage.

For goods, the 1925 traffic has been estimated at 57 milliard ton kilometers, with an average revenue of 5 pfennigs. In 1913, this traffic was 57.3 milliard ton kilometers, with an average revenue of 3.36 pfennigs.

To sum up, the traffic estimated for 1925 is equal to that of 1913 in the case of goods, but 25 per cent above the 1913 passenger traffic. In 1913 the total revenue of the German Railways excluding the lines ceded under the Peace Treaty, amounted to 3,057,700,000 marks. The increase in the revenue estimated for 1925, approximately

50 per cent, is therefore due for the greater part to the fact that passenger and goods tariffs are higher than they were in 1913.

From the working receipts estimated at 5,443,400,000 marks for the financial year 1925, the Company has to pay its working expenses together with interest and amortisation on debts which it has taken over from the previous Administration. These are however not very important.

The Company has made provision in the financial year 1925 for a sum of 360 million marks to meet extraordinary expenditure on capital account for new constructions and the purchase of material. The greater part of this expenditure was to be met, not from the working funds but from capital. For this purpose the statutes provide that the Company shall place on the market preference shares for 2 milliards, of which at least 500 million marks must be issued in the first two years. One quarter of the proceeds from the sale of the total number of shares is to go to the Government of the Reich, and three quarters are to be retained by the Company and used to cover capital expenditure. In view however of the fact that these shares cannot be sold until towards the end of the year, and then only a small part of them, the estimates provide for the meeting of capital expenditure out of the working receipts, as an exceptional measure this year.

The Company will have to provide the following sums from its net operating income :

1. For the service of Reparation Bonds for the first year.....	200 millions
2. For the formation of a reserve fund for the service for the second year.	200 —
3. For the constitution of a special reserve fund of 2 per cent of the receipts, in conformity with the Statutes.....	109 —
<b>TOTAL.....</b>	<b>509 millions</b>

#### FIRST RESULTS OF THE WORKING OF THE COMPANY.

The Company began to operate the railway with the resources, bank assets and supplies taken over by it from the Deutsche Reichsbahn undertaking. These resources were somewhat limited for such an important undertaking. The Company accordingly thought it wise to negotiate a credit of 15 million dollars in America, which would enable it to cope with exceptional difficulties. This credit was granted up to 31 January 1926, and has so far not been drawn upon.

The following are the results of the working of the Company for the first six months, that is, from 1 October 1924 to 31 March 1925 inclusive :

#### I. — *Working receipts.* (In thousands of marks.)

Passengers and luggage.....	554,222
Goods.....	1,342,603
Miscellaneous.....	131,088
<b>TOTAL.....</b>	<b>2,027,913</b>

#### II. — *Working expenditure.*

Payments to staff (including wages of workmen).....	1,153,405
Payments for material.....	597,699
<b>TOTAL.....</b>	<b>1,751,104</b>
<b>WORKING SURPLUS.....</b>	<b>276,809</b>



From this working surplus the following payments were effected (in thousands of marks):

Service of the Debt.....	4,200
Extraordinary expenditure on capital account, deducted as an exceptional measure from the working receipts.....	142,469
NET SURPLUS.....	130,140

It will be noted first of all that the income and expenditure for the first six working months do not correspond to the proportion of 6/15ths of income and expenditure estimated for the whole of the financial year 1925 (15 months). This result is not surprising, for the receipts and expenditure of railways are far from being equally distributed over all the months of the year. The goods traffic is generally most important twice a year, in March and in October. Passenger traffic is much greater in summer than in winter. Expenditure for keeping up the permanent way and for works generally is heavier in the summer. It is not therefore possible to form an opinion of the working of a railway system from the results of six months.

Taking the receipts for example, they almost tally with the estimates of the Company for the first six months. It must be observed however that circumstances were relatively unfavourable when the Company first took over the lines. The Company was not able to work the Ruhr and Rhineland lines until after 15 November 1924, and had first to restore unitary working which was not a very easy matter. Moreover, last winter with its very mild temperature was unfavourable for passenger traffic, owing to the lack of winter sports, which are very popular in Germany; goods traffic suffered also owing to the reduction in the transport of coal and to the greater competition of shipping.

The following table gives the monthly receipts of the railways from January 1924 until the constitution of the Company (October 1924), and since that date until 1 April 1925, in millions of marks: (The receipts for the Ruhr and Rhineland are only given as from 16 November 1924.)

January 1924.....	232	September.....	360
February.....	259	October.....	311
March.....	302	November.....	317
April.....	306	December.....	345
May.....	288	January 1925.....	347
June.....	282	February.....	347
July.....	295	March.....	360
August.....	317		

The advance in receipts is relatively satisfactory as a whole. But the present economic situation in Germany is actually very far from brilliant, the mines have considerable stocks of coal, and the traffic in the Ruhr for example is 15 per cent less than it was last year. If the present economic situation improves a little, there is every justification for expecting good receipts in the future.

In order to obtain the total receipts estimated for the financial year 1925 (5,443 million marks), average monthly receipts of 379 million marks must be realised during the nine months still to run, and this result is naturally uncertain, as the receipts depend on Germany's economic progress and on the tariffs which will be applied.

If the working expenditure of the first six months is considered on the other hand, we are at once struck by the proportion, amounting to almost 66 per cent of the total, which is absorbed for staff, whereas in 1913 it only amounted to 61 per cent. Such an increase

may be observed certainly with the majority of railway companies. However this may be, the expenditure on staff during the first six months has proved to be considerably in excess of the Company's estimates, in spite of the measures for cutting down staff which were taken in accordance with the Abbau programme.

Moreover the wages of workmen were increased on 15 March 1925, and residence allowances to officials were increased 10 per cent as from 15 April 1925. In order to meet these unforeseen expenditures an increase on the tariff rates has become an urgent necessity, and the Company has decided an increase in the passengers rates, as pointed out hereafter.

The question of railway rates and that of salaries and wages are objects of lively discussion in Germany; this is, of course, true of other countries, but perhaps more of Germany, owing to the economic transformation due to the currency stabilisation and to the new situation created by the constitution of a Railway Company. It therefore seems of interest to give some information concerning present conditions in the matter of railway rates and wages.

#### PASSENGER RATES.

Passenger rates were fixed in gold on 1 November 1923 and they have since been altered on 1 December 1923 and 1 March 1924; on 30th April 1925 they compare as follows with the pre-war fares :

	1913 RATES. — pfennigs.	RATES AS ON 30th APRIL 1925.	
		minus taxes.	plus taxes.
		pfennigs.	pfennigs.
1st class.....	7	8.28	9.6
2nd class.....	4.5	5.80	6.6
3rd class.....	3	4.02	4.5
4th class.....	2	2.73	3

These rates, though in Germany they are frequently considered very high, are in fact lower in general than those of countries with a high value currency, such as England, Holland, Switzerland and Sweden. It may be added that Germany has a 4th class, the rates for which are very low. With the exception of Poland there is no 4th class in other countries, so that it is really the 4th class rates in Germany which should be compared with 3rd class rates elsewhere.

Further, there has been a general tendency on the part of passengers in Germany to travel by a class lower than that to which they were formerly accustomed. According to the travel statistics for 1924 (April-September), out of every 100 marks taken on passenger tickets.

Mk. 1.28 was for 1st class.

— 14.19 — 2nd —

— 42.34 — 3rd —

— 42.19 — 4th —

In other words, 84 % of the receipts, and 90 % of the passenger-kilometers, were for 3rd and 4th class.

At the same time the reductions for season tickets and excursions have been much extended, with the result that the average takings per passenger-kilometer, according to the figures for 1924 (April-September), were only 2.60 pfennigs, which is 10 % more than the average takings in 1913, when the figure was 2.36 pfennigs (not including takings on baggage).

It should be added that season ticket rates were increased as from 1 April 1925, in order to counterbalance the further increase in workmen's wages concluded on 15 March. To cover the heavy increases in the expenditure on personnel in general the Company has just decided an increase of 10 % passenger rates to take effect as from 1 May.

GOODS RATES.

The rates for goods of the normal categories were fixed in gold in November 1923, at twice the pre-war level.

Since that time, in order to favour the economic development of the country, a considerable number of special rates, which had previously been abolished, have been restored; and numerous reductions have been granted, the most important of which, of general application, are as follows:

- Reduction of 8 % as from 20 January 1924.
- Reduction of 10 % as from 1 March 1924.
- Reduction of 10 % as from 19 September 1924.

The last reduction granted after the London Agreements appeared to be inopportune. It would have been better to have left the new Company to take a decision in the matter, and it would probably have granted useful reductions on certain rates but not a general reduction which is seriously affecting its receipts and not proving of assistance to the country to any equivalent extent.

After all these reductions, the normal rates would now appear to be 49 % higher on an average than the pre-war rates. The special rates allowed for about half the goods transported have not been increased so much, so that on the whole the average increase in rates is probably less than 40 %.

This opinion is confirmed by the variations in the average revenue per ton-kilometer, which was 6.5 pfennigs in January 1924 and fell to 4.53 pfennigs in November 1924 and to 4.89 pfennigs in December 1924. In 1913 the average revenue per kilometer was 3.36 pfennigs; the increase was therefore 34 % in November 1924 and 45 % in December.

Generally speaking, the present increase in German goods rates does not appear excessive as compared with 1913. As in the case of the passenger rates, it is on the whole lower than in other countries with stabilised currency, such as England, Holland, Sweden, Switzerland. On the other hand it is comparable with the increase in the cost of living in Germany, which is estimated at 35.6 %.

Nevertheless, numerous applications for important reductions in railway rates are constantly and urgently made, both as regards exports and for certain industries or certain districts. The Company must obviously show great caution in this respect, and cannot under present circumstances accord any reduction, for which cover is not provided from other sources.

SALARIES AND WAGES.

Since 12 December 1923, the date on which salaries were fixed in gold, they have been successively increased as follows for officials:

- |                           |       |
|---------------------------|-------|
| 1. 1 April 1924 .....     | 21 %. |
| 2. 1 June 1924 .....      | 23 %. |
| 3. 15 November 1924 ..... | 11 %. |

The wages of the Company's workmen have been similarly raised, and have recently been increased again (on 15 March 1925) by 3 pfennigs an hour.

Finally the residence allowances to officials of the Company have just been increased 10 per cent as from 1 April 1925, following a resolution passed by the Reichstag granting a similar increase to officials in State services.

Taking into account all these increases, the present salaries and wages of the staff of the



Railways, including the various allowances, according to the figures supplied by the Company, are on an average 48 per cent higher than the pre-war rates in the case of officials, and 40 to 63 per cent higher in the case of workmen. This increase is therefore considerably higher than the increase in the cost of living.

The working day for the railwaymen is nine hours. The Railway Unions are, however, urgently demanding a reduction.

The Company is endeavouring by the application of the Abbau programme, to reduce its staff, which is much in excess of the pre-war staff, to the number actually required to work the Railways. In 1919 the staff exceeded the number of 1,100,000. In December 1924 when the lines of the Ruhr and the Rhineland were taken back, the number of personnel still amounted to 771,193; it was reduced to 743,671 in February 1925. As a result of the Abbau, the expenditure on account of pensions increased very rapidly.

As we have already stated, the total expenditure for staff and pensions is much in excess of the estimates for the first six months working, and the Company is finding itself obliged to meet this unforeseen expenditure by an increase in passenger rates. It is certain that if fresh increases in salaries and wages and shorter working hours are granted, to meet the urgent demands from all sides, the Company will of necessity be compelled to increase its rates still further to find cover for the fresh expenditure.

#### EXTRAORDINARY EXPENDITURE.

The serious attention of the Company must be given to the question of extraordinary expenditure for new constructions and the purchase of material. The total provided under this heading for the financial year is 360,000,000 marks; but the work under execution is only part of a vast programme for new constructions, extensions and electrification, which were begun or planned during the Inflation period.

If this programme was to be completed, considerable expenditure would still be required after the financial year 1925. There is no doubt that the programme must be reduced to the work which is absolutely indispensable, and that orders for rolling stock must also be carefully restricted in the next few years, especially as the material at present available is ample for working requirements.

In order to cover this expenditure, which is for the greater part capital expenditure, extraordinary resources must be procured; such a procedure has been adopted by the majority of the great railway companies. To this end the Company must therefore consider very seriously the placing on the market of preference shares, in conformity with the Law, and the statutes of the Railways. In view of the national interests involved, the Government of the Reich will no doubt be willing to facilitate this operation by all the means in its power.

#### CONCLUSIONS.

The above information shows that the Company has realised working receipts of 2,027,913,000 marks during the first six months of its existence, leaving a surplus of working receipts of 276,809,000 marks, of which 142,469,000 marks were devoted to extraordinary expenditure.

This was, however, a time when the Company was at the beginning of its operations; it was an unfavourable season of the year which was particularly difficult for the new Company, which had not possession of the whole railway system until the middle of November 1924, and had first to restore unity of working.

The first financial results obtained thus appear to be relatively satisfactory. They were obtained in spite of the fact that goods rates have been considerably reduced since the beginning of 1924. Although fixed at the time of the stabilisation of the mark at twice the pre-war figures, they are now less than 40 per cent higher, which is a difference lower than that in any other country with stabilised currency.

Since the creation of the Company lists of further reductions are published every week which apply to many different districts and various products, and are designed to benefit, in one case exports, in another case internal traffic, and in another case the transit trade; not a single item of the goods tariff has been raised, yet in spite of these reductions the index figures for wholesale trade and for the cost of living have risen in Germany.

The Company has thus endeavoured to contribute to the economic development of the country; and it has likewise improved the pay of its employees as generously as circumstances permitted. But the Company, which is now obliged to balance its budget without help from the Reich, and also to ensure the service of its Reparation Bonds, has inevitably to devote most of its attention to the exploitation on business lines of its vast railway system; and it must reject energetically the numerous and pressing requests to increase its expenditure without limit and to reduce its revenue. In its present position the Company cannot shoulder fresh expenditure, nor consent to tariff reductions, without cover being available from other sources.

In order to obtain the results expected of it, the Company will be obliged to follow a strictly prudent policy and still further to improve its administrative methods; for this purpose it must enjoy the freedom of action, which is moreover expressly provided for under the Railways Law. And it is to be hoped that its efforts will meet with the support of the Government, of Parliament and of enlightened public opinion.

Under these circumstances, it is to be expected that the Company will be able to make the 200 millions required for the service of the Reparation Bonds in the first year, which is a relatively low charge — being less than 5 per cent — as compared with receipts amounting to 4 milliards and a half. It should further be able to constitute a reserve for the second year. In this connection it is interesting to bear in mind that the Reparations Bonds replace in the case of the German railways the amounts collected towards the capital of the Company, which have been suppressed. The Swiss, English and American Railway Companies levy 20 to 30 per cent on their receipts for this purpose.

As for the extraordinary expenditure for new constructions, electrification, new material, etc., the Company will have in future to procure the necessary funds by issuing some of the preference shares as provided in the Law and in the Statutes of the Railway. The Company is indeed discussing the question at the present time with the Government.

#### MONTHLY PAYMENTS OF THE COMPANY.

The Agent General for Reparation Payments has requested the Company to substitute monthly payments for the half-yearly payments in respect of the Reparation Bonds. This would facilitate the financing of reparations, and also the mark transfers to be effected in the future for less considerable sums, since the payments to be made on each due date will be smaller. It seems unnecessary to discuss this subject here, which is at present being considered by the Agent General and the Company.

Signed : Gaston LEVERVE.

**REPORT**  
**OF THE COMMISSIONER OF THE REICHSBANK**

(11TH OCTOBER 1924 — 30TH APRIL 1925)





## REPORT OF THE COMMISSIONER OF THE REICHSBANK.

(11<sup>TH</sup> OCTOBER 1924 — 30<sup>TH</sup> APRIL 1925.)

As stated in the Experts' Plan the rehabilitation of Germany's finance, the balancing of her budget and the restoration of her foreign credit is only possible on the basis of a stable currency. Such stability, whilst forming on the one hand an essential condition for any Reparation Scheme, is at the same time of the greatest importance for the whole economic life of Germany.

At the moment of the development of the Experts' Plan the German currency was provisionally stabilized by means of the Rentenbank. In order to relieve this stabilisation of its temporary character the Plan provided for the conversion of the old Reichsbank into a new institution. Annex I of the Report contains a detailed exposé of the lines on which the new institution should be established.

In agreement with these principles the Reichstag, on the 30th August 1924 passed a new Bank Law, which came into force on the 11th October 1924.

The most important changes, as compared with previous conditions, are :

1. The new Reichsbank is a private corporation, independent of the Reich;
2. The new Bank has a charter for a period of 50 years and for that period an exclusive privilege, with certain minor qualifications, of issuing bank notes;
3. Whilst its independent character as a German institution is protected, provision is made for the appointment of a General Council, consisting of fourteen members — seven of German and seven of non-German nationality — which Council appoints one of its foreign members Commissioner, whose duties are chiefly concerned with the execution of the legal provisions, regarding the exercise of the right to issue notes and the maintenance of the cover of these notes;
4. The bank is authorised to issue bank notes in Reichsmarks, which will be stamped with the Issue Control Stamp of the Commissioner, and to replace the notes of the old Reichsbank with new notes at the rate of one Reichsmark to one billion (a million million) of the old paper marks. Reichsmarks and gold coins of the Reich are constituted the only legal tender to an unlimited amount in Germany;
5. The cover prescribed for Reichsmark notes is at least 40 per cent, of which not less than three quarters is to be in gold. The remaining one quarter may be Devisen (Foreign Exchange) which, according to the definition in the law, include bank notes, short bills and

deposits in foreign banks. The remaining cover for the notes is to be provided by discounted bills of exchange or cheques satisfying specific requirements;

6. The Reichsbank is empowered to engage in banking operations corresponding to those usually carried out by a central bank of issue. The power of the bank to discount paper secured by Government Bonds and to make loans to the Government is, however, restricted.

In virtue of article 16 of the Law, the Organisation Committee, consisting of Dr. Hjalmar SCHACHT, President of the former Reichsbank, and Sir Robert KINDERSLEY, appointed the following as members of the General Council for the first term of office:

1. Sir Charles ADDIS, London.
2. Professor G. BACHMANN, Zurich.
3. Professor G. W. J. BRUNS, Rotterdam.
4. Carlo FELTRINELLI, Milan.
5. Émile FRANQUI, Brussels.
6. Gates W. MCGARRAH, New-York.
7. Geheimer Kommerzientat Louis HAGEN, Cologne.
8. Franz von MENDELSSOHN, Berlin.
9. Hofrat Hans REMSHARD, Munich.
10. Dr. Hjalmar SCHACHT, Berlin.
11. Charles SERGENT, Paris.
12. Franz URBIG, Berlin.
13. Max WARBURG, Hamburg.
14. Oscar WASSERMANN, Berlin.

The General Council elected Dr. Hjalmar SCHACHT President of the new Reichsbank. The election was confirmed by the President of the Reich. The General Council also elected from among its members the undersigned Commissioner and approved the appointment by the President of the Members of the Managing Board.

In accordance with Article 18 of the Bank Law, the Commissioner submits a monthly report to the General Council.

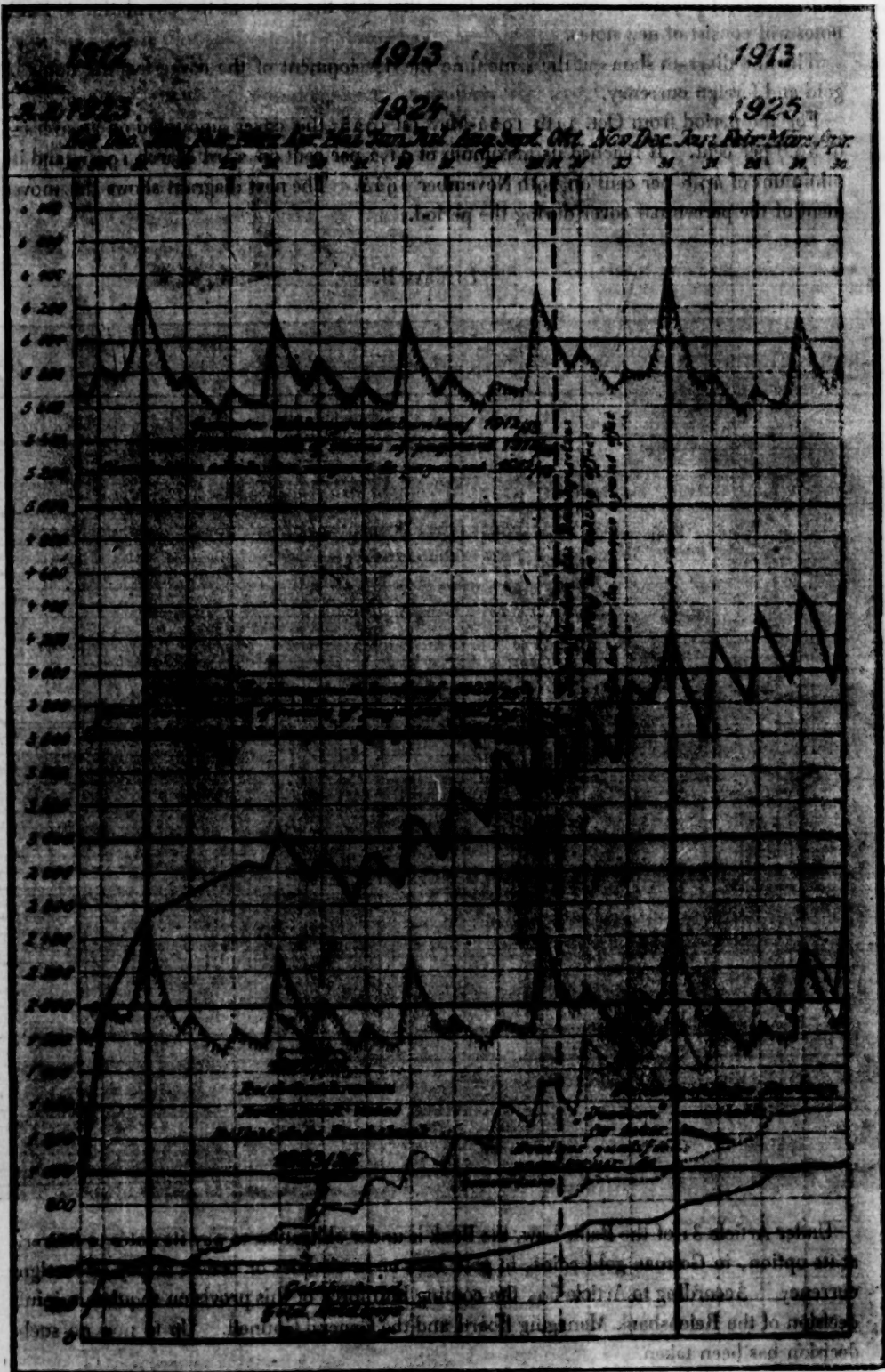
On the 15th October 1924, the date of the first weekly return of the Reichsbank in its new form, the circulation of bank notes amounted to R. M. 1,396,748,000. This figure rose gradually, amounting on May 1st 1925 to R. M. 2,451,772,000.

The following diagram shows the development of the circulation of bank notes as well as that of the whole currency position of Germany from November 15th 1923 (the date on which the Rentenbank began to function and the German currency could be regarded as stabilized) until May 1st 1925. Next to the Reichsbank notes the bulk of the circulation consists of Rentenbank notes, of which R. M. 1,480,193,000 were in circulation on May 1st 1925, the Reichsbank holdings of Rentenbank notes at that date being R. M. 416,044,000.

For comparison are added the figures for the same period in the years 1912-1913. In the total circulation of that period is included to the full amount the gold currency which at the time was in the hands of the public, estimated at R. M. 2,750,000,000.



DIAGRAM I.

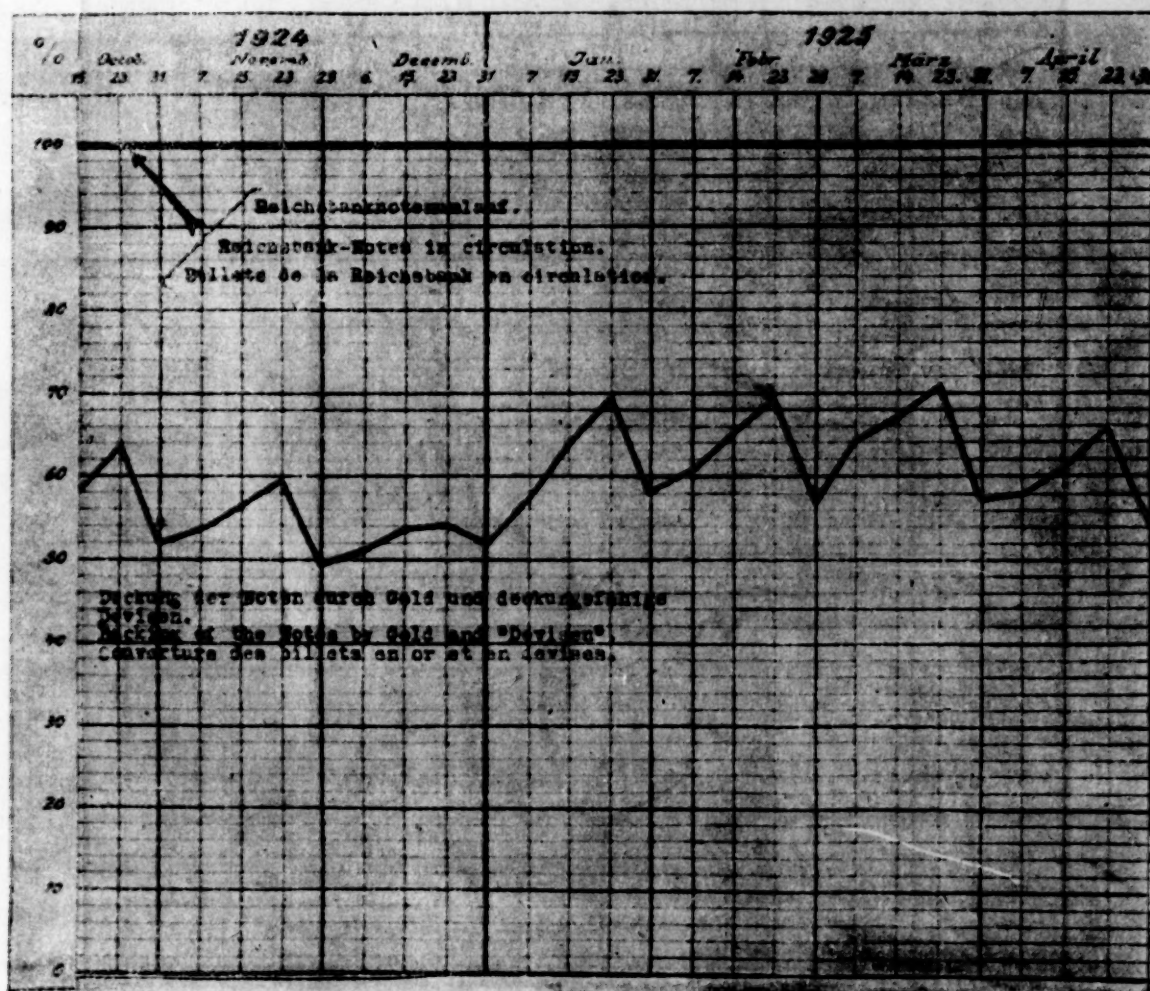


On March 5th 1925, according to Article 3 of the Law, the Reichsbank issued a statement to the effect that from June 5th 1925 the old Reichsbank notes will cease to be valid as instruments of payment. Accordingly, from that date the whole of the circulation of Bank notes will consist of new notes.

The first diagram shows at the same time the development of the cover for the notes in gold and foreign currency.

For the period from Oct. 11th 1924-May 1st 1925, this cover amounted on an average to 59.7 per cent. It reached its maximum of 71.2 per cent on 23rd March 1925, and its minimum of 49.8 per cent on 29th November 1924. The next diagram shows the movement of the percentual cover during the period.

DIAGRAM II.



Under Article 31 of the Bank Law, the Bank is under obligation to pay its notes to bearer, at its option, in German gold coins, in gold bars or in cheques or orders to pay in foreign currency. According to Article 52, the coming into force of this provision requires a joint decision of the Reichsbank Managing Board and the General Council. Up to now no such decision has been taken.

The discount rate, which on October 11th 1924 was 10 per cent, was reduced to 9 per cent on February 26th 1925. On April 7th 1924 the Bank decided to restrict the credits to the amount outstanding at that date. This system of restricting credits has been retained until the present time, although the limits have been slightly raised.

The quotation of bills of exchange is not at present left to the free market in Germany. The quotations in Germany and abroad show, however, that, during the period covered by the report, the ratio between the Reichsmark and the Dollar was never below par. There have been no more fluctuations in rates, like those which in April 1924 determined the credit restrictions mentioned above.

At the General Meeting held on the 23rd March 1925, the Reichsbankdirektorium submitted its Report for the year 1924. This report and the attached balance sheet of the 31st December 1924 (showing the profits for the year) confirm the strong and sound position of the Bank.

The relations between the Commissioner and the President and Members of the Managing Board and the other departments of the Bank are most satisfactory.

Berlin, May 1925.

G. W. J. BRUNS.





THE REPORT  
OF THE  
COMMISSIONER OF CONTROLLED REVENUES  
**THE REPORT**  
OF THE  
**COMMISSIONER OF CONTROLLED REVENUES**

(1ST OCTOBER 1924 - 28TH FEBRUARY 1925)

THE REPORT

OF THE

COMMISSIONER OF CONTROLLED SERVICES

(1946-1947) 1947 FEBRUARY 1947



**THE REPORT**  
**OF THE**  
**COMMISSIONER OF CONTROLLED REVENUES.**

(1<sup>ST</sup> OCTOBER, 1924 - 28<sup>TH</sup> FEBRUARY 1925.)

I. — The London Agreement provided that the Experts' Plan would be considered as having been put into execution, except as regards measures to be taken by the Allied Governments, when, *inter alia*, all the executive and controlling bodies provided for in the Plan had been installed with a view to their normal working. In the course of a visit to Berlin in the month of September 1924, I made arrangements with the German Government under which the Protocol concerning the contributions to be made from the German budget and the institution of control over the revenues from customs and the taxes on spirits, tobacco, beer and sugar, should be brought into operation as from 1st October 1924, and the revenues in question blocked as from the same date. I also opened an account in the Reichsbank for the receipt of the revenues, and having been furnished by the German Government with a copy of the official circular giving effect to the above arrangement, I was enabled to inform the Commission officially on the 3rd October 1924 that the control of the revenues had been duly instituted, the necessary staff for the initial period having been recruited from the personnel formerly employed by the Committee of Guarantees in Berlin.

Under the strict letter of the Protocol the receipts from the controlled revenues would have remained blocked throughout the month of October and would only have been re-assigned to the German Government after complete collection and certification at some date in November not later than the 20th. The normal operation of the Protocol at this stage would, however, have been unduly onerous, in view of the fact that the German Government was under the necessity of finding funds out of their normal resources for ten-daily payments to the Agent General during the transition period until such time as the proceeds of the Foreign Loan might become available. I therefore concluded a special arrangement whereby, exceptionally during the transition period, the blocked revenues would be paid into my account on the 10th, 20th and last days of the month and immediately released to the German Government. This special arrangement was in force during the month of October alone, during which ten-daily payments to my account were made, based in the first instance on the disclosed receipts for September, an adjustment being made in November when the actual receipts for October were known and certified. During subsequent months, the revenues have been regularly paid to my account after the conclusion of each month and immediately repaid to the German Government.

The yield of the revenues in the five months under review has been as follows :

	1924.			1925.	
	OCTOBER.	NOVEMBER.	DECEMBER.	JANUARY.	FEBRUARY.
In thousands of Reichsmarks :					
Customs.....	27,268	30,195	36,148	52,091	35,911
Tobacco.....	41,689	43,326	49,148	51,035	53,256
Beer.....	17,609	14,822	12,575	16,928	16,380
Alcohol.....	(1) 14,711	18,517	19,640	20,551	13,586
Sugar.....	16,741	22,835	28,719	19,498	18,493
TOTAL.....	(1) 118,018	129,695	146,230	160,103	137,626

(1) The printed official return of receipts shows 56,000 M. less, in consequence of an adjustment of a previous error.

It will be observed that except during the month of February the yield exhibits a steady and gratifying increase. February receipts appear disappointingly low when compared with those of January, but this may be explained by special circumstances; not only did February contain fewer working days than the two preceding months, but the receipts for January would appear to have been normally swollen by New Year trade and by important half-yearly payments from customs warehouse accounts, and abnormally swollen by large importations in view of the restoration of Germany's commercial freedom through the lapse of Article 280 of the Peace Treaty and under the fear of higher protective duties.

The average yield of the controlled revenues in the last five months amounts in round figures to 138 million marks, which compares with an average of approximately 69 million marks for the first six months of 1924 and with an average of roughly 104 million marks which is required during a standard year to provide the monthly budget contribution towards the reparation annuity under the Experts' Plan.

Proposals for the doubling of the Beer Duty and increases in the Tobacco Taxes varying from 25 per cent to 50 per cent are at present under the consideration of the legislature. The official estimate is that with these increases in the rates of duty the yields from beer and tobacco should be increased by 66 per cent and 42 per cent respectively.

Inspections have been carried out at Oberfinanzkassen Brandenburg, Breslau, Darmstadt, Dresden, Gross Berlin, Hamburg, Karlsruhe, Leipzig, Magdeburg and Stettin; at Zollkassen Berlin-Pankow, Berlin-Süd, Breslau-Nord, Dresden, Halle, Hamburg-Kornhausbrücke, and Magdeburg-Kaulhof, which are among the ten most important Zollkassen; at numerous ordinary Zollkassen; and at the Verwertungsstelle of the Alcohol Monopoly in Berlin and at one of its branches in Leipzig. Only trifling irregularities such as are necessarily incidental to the institution of a new scheme and the alterations in accounting procedure which it involves have been discovered. They have, in all cases, been immediately rectified by the German Government, which has shown the greatest readiness to accept suggestions for modifications in the accounting system which will facilitate the work of control.

The effective working of the control requires principally :

1. that the "Oberfinanzkassen" and the ten most important "Zollkassen" should always have at their disposal at any moment an amount equal to the sums paid direct to them

together with, in the case of the "Oberfinanzkassen", the sums transferred to them by the "Zollkassen" in respect of the controlled revenues and not yet paid into my account, and

2. that the "Zollkassen" in which the revenues are not blocked should remit to the "Oberfinanzkassen" with frequency and retain only that minimum of cash necessary for their own daily operations.

Inspection has shown that these two requirements are being met in a perfectly satisfactory manner.

## II. — Certain special and subsidiary points which have arisen are worthy of mention.

1. I have drawn the attention of the German Government to a difficulty which might arise during the second year of the operation of the Plan. In that year there is under the Plan a charge on the budget to the extent of 250 million gold marks, provision for which was to be made by the sale of Railway Company Preference Shares assigned to the German Government or, in the event of failure to sell the shares, by an internal loan. The Control Protocol, Chapter III, Paragraph 16, postpones any payment from the controlled revenues until the last quarter of the second year, and in the event of neither the sale of preference shares nor the proceeds of an internal loan producing an amount sufficient to meet the payment of 250 million gold marks falling due, spreads the payment of this sum over the last quarter of the year and the first month of the first quarter of the third year. I gave reasons for the view that the intention of the Plan had been that regular monthly contributions should be made from the controlled revenues during the second year of the Plan and that the operation of the Protocol might give rise to a grave practical difficulty, in that the Agent General might have to wait until late in the year for funds which were required to meet his current needs throughout the period in question. The German Government in reply, while not admitting that there was any inconsistency between the Plan and the Protocol, undertook in the second year of the Plan to pay to the Agent General in equal monthly instalments the sum of 250 million gold marks ultimately secured on the controlled revenues, even if the Preference Shares could not be sold and even if no internal loan to cover such payments were floated. Any practical difficulty has thus been obviated.

2. Certain extensive frauds affecting more particularly the Alcohol Duty, have recently come to light. They are at present the subject of investigation by the German Government, which has been requested to furnish a report upon them when the enquiries are concluded, with a view to consideration whether defects in the system which would have a continuing adverse effect upon the yield of the revenues are disclosed.

3. The Protocol provides for the blocking of the receipts in the "Oberfinanzkassen" and in the ten principal "Zollkassen". The ten principal "Zollkassen" for the current fiscal year determined by the method laid down in the Protocol, were the following: Breslau-Nord, Dresden Hauptzollamt, Berlin-Nord, Berlin-Süd, Berlin-Pankow, Magdeburg-Kaulhof, Halle a/S Hauptzollamt, München-Bayerstrasse, Altona-Ottensen, Hamburg-Kornhausbrücke.

For subsequent fiscal years it was provided that the "biggest 'Zollkassen' would in every case be considered to be those which, during the preceding calendar year, have shown the biggest receipts from the controlled revenues." The results of the calendar year 1924 displaced Hamburg-Kornhausbrücke, Altona-Ottensen, and Berlin-Pankow in favour of Hamburg-Theerhof, Stuttgart Hauptzollamt, and Berlin-Packhof.



III. — The staff directly employed on the Control of revenues consists of five officers, two of whom are more especially assigned to the work of inspection. On my urgent representation that such an appointment at the present time would not be conducive to efficiency and would be extravagant of expenditure, no steps have been taken to appoint the five sub-commissioners provided for in the Plan, though the right of the Reparation Commission to appoint them if required at any minute has been reserved. I do not, in fact, anticipate that any expansion of staff will be necessary unless there arise difficulties not at present expected in the operation of the control.

Berlin, 14th March, 1925.

Andrew McFadyen.

REPORT  
OF THE TRUSTEE FOR GERMAN INDUSTRIAL DEBENTURES  
FOR THE PERIOD 1ST OCTOBER 1924 - 28TH FEBRUARY 1925

**REPORT**  
**OF THE**  
**TRUSTEE FOR GERMAN INDUSTRIAL DEBENTURES**  
**(1ST OCTOBER 1924 - 28TH FEBRUARY 1925)**

# REPORT

OF THE

TRUSTEE FOR CERNIA INDUSTRIAL DEBITORS

1st OCTOBER 1937 28th FEBRUARY 1937



## REPORT OF THE TRUSTEE FOR GERMAN INDUSTRIAL DEBENTURES.

(1<sup>ST</sup> OCTOBER 1924, 28<sup>TH</sup> FEBRUARY 1925.)

The Experts' Plan provided for a special contribution by German Industry to the payment of Reparations.

This contribution was to be represented by 5 milliard gold marks of 5 per cent debentures, which were to be issued under the title of "Industrial Debentures" by German Industrial concerns in proportion to their capital (Betriebsvermögen) as estimated for purposes of assessment for the Tax on Fortunes (Vermögenssteuer 1924.)

In order to put into execution the provisions of the Experts' Plan, a committee appointed for the purpose, prepared a special Law to be known as the Industrial Charges Law (Industriebelastungsgesetz) which was passed by the Reichstag on 30 August 1924 and came into force on 1 September 1924.

In virtue of this Law the 5 milliard marks of debentures are secured by a first mortgage under Public Law on the land and rights assimilated, which form part of the business capital (Betriebsvermögen) of the industrial concerns. They are also secured by the German Government and enjoy other privileges in virtue of the said Law.

The Industrial Charges Law provided for :

I. — The creation of a German Bank having for object :

(a) To receive, hold and administer the 5 milliard gold marks of individual 5 per cent debentures to be issued by the industrial concerns;

(b) To issue 5 per cent industrial bonds for an amount equal to the amount of the individual debentures deposited with the Bank;

(c) to transact all business arising out of the holding of the industrial debentures and of the issue of the industrial bonds.

II. — The appointment of a Trustee for the industrial debentures and the industrial bonds to be nominated by the Reparation Commission.

The Bank to be known as the "Bank für deutsche Industrie-Obligationen" with a share capital of ten million gold marks, which was to be created within one month as from 1 September 1924, was duly created on 30 September 1924, its capital being subscribed by the principal credit institutions and the leading industrial companies of Germany.

At the beginning of September 1924 the Reparation Commission had appointed as Trustee Mr. B. Nogara, the Delegate representing since 1912 the Italian bond-holders on the Board of the Ottoman Debt.

The Law prescribed that, not later than two months after the coming into force of the Law, the German Government was to deliver to the Trustee and to the Bank a Collective Bond for 5 milliard gold marks, signed by seven representatives of industry, and intended to be subsequently exchanged for the debentures to be issued direct by each of the industrial concerns. The said Collective Bond was handed to the Trustee and to the Bank and on 2 October 1924.

The Board of the Bank was to be composed of fourteen members, of whom seven of German nationality and seven of foreign nationality, with a German as President.

The fourteen members were appointed immediately after the creation of the Bank. They are :

Dr. Mario ALBERTI,	Director of the Credito Italiano, Milan.
Dr. Ernst BAIL,	Ministerialdirektor in the Prussian Ministry for Commerce and Trade.
Dr. Hermann BÜCHER,	former wirklicher Legationsrat.
Dr. Herbert DORN,	Ministerialrat in the Finance Ministry of the Reich.
Mr. Léopold DUBOIS,	President of the Swiss Banking Association, Bâle.
D. Julius FLECHTHEIM,	General Manager, Köln-Rottweil, A. G.
M. Charles FRÉRICHS,	Chairman of the Finance Service of the Reparation Commission.
Herr Clemens LAMMERS,	Member of the Präsidium of the German Industrial Association of the Reich.
Mr. Gates W. MacGARRAH,	President of the Mechanics and Metals National Bank, New-York.
Dr. R. J. H. PATIJN,	Dutch Minister Plenipotentiary, the Hague.
Mr. H. DE PEYSTER,	Inspector of Finance, Paris.
Dr. Paul von SCHWABACH,	Senior Director of the Bank S. Bleichröder.
Dr. Ernst TRENDELENBURG,	Secretary of State in the Ministry of Economic Affairs of the Reich.
Mr. W. Dudley WARD,	the British Overseas Bank, London.

In conformity with the Law, the members of the Board proceeded at their first meeting on 31 October 1924, to elect a President; and their choice fell upon Dr. G. Krupp von Bohlen und Halbach of the well-known firm of Krupp. The Board also appointed two vice-Presidents in the persons of Dr. P. von Schwabach of Bleichröder's Bank, Berlin, and Mr. H. de Peyster, Inspector of Finance, Paris.

The management of the Bank was entrusted to Dr. Wilhelm Bötzes, formerly General Manager of the Deutsche Kredit und Handelsgesellschaft A. G., Berlin, and to Dr. Ramhorst, of the Reichswerband der deutschen Industrie.

Any dispute between the Government of the Reich or the Bank on the one hand, and the Reparation Commission or the Trustee on the other having to be submitted to arbitration, the German Government and the Reparation Commission have agreed to appoint as Arbitrator Mr. Marcus Wallenberg, General Manager of the Enskilda Bank, Stockholm, and Chairman of the Norwegian Company for the production of Nitrogen and hydraulic power.

This last appointment having been made, the Industrial Charges Law could be said to be working in a complete and regular manner.

The Board of Directors and the management of the Bank immediately proceeded to obtain suitable premises in which to instal the Bank, with a view also to a later development

of the business to be transacted by it. Owing to the fact that premises were available in the building in which the offices of the Reichsschuldenverwaltung (Administration of the Public Debt of the Reich) are installed, the Bank was able to set up suitable offices immediately.

At subsequent meetings the Board and the Management drew up their own rules and laid down the necessary instructions for the working of the several departments of the Bank, amongst which the work ought to be distributed.

Whilst the Bank was being organised, the Ministry of Economic Affairs proceeded to promulgate the necessary Laws and Decrees for the application of the Industrial Charges Law itself.

With this end in view the Reichstag on 30 August 1924 passed a Law intended to obtain the amount of the annual sum required for the service of the interest at 5 per cent, and of the sinking fund at 1 per cent, on the nominal capital of the debentures (5 milliard gold marks) [Aufbringungsgesetz].

This Law is intended as well to equalise the charges, in the sense that industrial concerns, which are exempted from the obligation to issue 5 per cent debentures, are nevertheless called upon to bear a share of the charge of the annual payments required for the service of the interest and sinking fund of the nominal capital of 5 milliard gold marks.

The following executive Decrees were adopted :

A. — The Decree of 28 October 1924 determining which industrial concerns are to be subjected to the issue of industrial debentures; regulating the computation of the individual charge, and its eventual distribution over several parties interested in the same concern; regulating the exemption granted by the Government, and finally the competence of the Finance Offices, and the procedure to be adopted for the signing of the Debentures.

B. — The Decree of 5 December 1924, fixing the procedure to be adopted for making the official entries on the Land Register of the Public Law mortgages (öffentliche Last) encumbering the property of the industrial concerns as security for the debentures issued. This Decree also established the procedure to be followed in cases of partial or total extinction of the charge.

C. — The Decree of 13 December 1924 fixing the "key-figure of distribution" at 17.1 per cent of the business capital; experience having thereupon shown that this "key-figure" was higher than was necessary to bring in the required amount of 5 milliard gold marks of debentures, a reduction of 8 per cent has since been allowed on the nominal amount of each individual debenture, bringing the "key-figure" of 17.1 down to approximately 15.73 per cent.

D. — The Decree of 10 January 1925, relating to appeals and to the joint responsibility of the lessees or usufructuaries and the owners of a concern in connection with the debentures which they are under the obligation to issue in conformity with the law.

The statistical work effected for the purpose of determining the extent to which each concern was to sign debentures was completed in December 1924, and before the end of the year all the Finance Offices (Finanzämter) of the Government were in possession of the necessary instructions for presenting for signature to each concern affected by the Law, the debenture which it is required to issue in favour of the Bank für deutsche Industrie-Obligationen, with particulars of the amount due annually in respect of interest and sinking fund.



The work of signing the debentures was therefore begun in January and was continued without a hitch until the last few days of February 1925 in the 982 Finance Offices throughout Germany.

The Government was accordingly enabled on the date fixed, 28 February 1925, to hand over to the Bank and to the Trustee 60,500 certificates for individual debentures issued by 60,500 industrial concerns, the nominal value of which amounted to the sum of 5 milliard gold marks required by the Law.

The certificates for individual debentures issued in favour of the Bank are held by it conjointly with the Trustee.

On 28 February 1925, the date on which the Government delivered to the Trustee and to the Bank the certificates for the said 5 per cent industrial debentures, the Bank under the terms of the Law proceeded to issue the 5 milliards of 5 per cent industrial bonds to bearer as counter-part of the 5 milliards of the said certificates held by it conjointly with the Trustee.

It is these 5 per cent industrial bearer bonds which form the capital contribution of German industrial concerns on account of reparations.

They are at the disposal of the Trustee for sale on the open market. Such sale may nevertheless not take place unless the general conditions of the market are favourable. So far as the Industrial Bonds remain in the possession of the Trustee, the latter has to insure the cashing of the coupons and of the redeemed debentures in favour of the reparations account.

So far as the Industrial Bonds are not sold, each concern has the option of redeeming at par its debenture. Each concern may also redeem its debenture at a price to be fixed in agreement with the Trustee.

I have much satisfaction in stating that the various Government Departments and the Bank, as well as all the Industrial Concerns, have punctually fulfilled the obligation to deliver on 28 February 1925 the 5 milliards gold marks of 5 per cent debentures on account of reparations.

Berlin, 10th April 1925.

B. NOGARA.

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# REPORT

OF THE

## TRUSTEE FOR GERMAN RAILWAY BONDS

(11TH OCTOBER 1924—28TH FEBRUARY 1925)

REPORT

TRUSTEE FOR GERMAN RAILWAY BONDS

(17TH OCTOBER 1924 - 28TH FEBRUARY 1925)



## REPORT OF THE TRUSTEE FOR GERMAN RAILWAY BONDS.

(11TH OCTOBER 1924-28TH FEBRUARY 1925.)

The Company of German Railways was created *de facto* on August 30, 1924, by Article 5 of the Railways Bill, passed on that day.

On the same day the Reichstag ratified the statutes of the Company and the law on staff. While the transfer of the operating right legally took place that day, the actual transfer did not take place until October 11.

Although the Trustee for German Railway Bonds did not officially take up his duties until the date of the actual transfer, he had before that date appointed nine members of the Board of Directors in accordance with Article 11 of the Statutes of the Deutsche Reichsbahn Gesellschaft.

The German Government also appointed nine directors.

The foreign directors, having met at Berlin on September 27, appointed M. LEVERVE Railway Commissioner.

The Board of Directors of the Company, convoked on the same day, elected Herr von SIEMENS as President, Herr STIELER and Sir William ACWORTH as Vice-Presidents, and Herr OESER, formerly Reich Minister of Transportation, as General Manager.

On October 10, 1924, the Trustee was placed in possession of the Certificate representing 11 milliards of first mortgage bonds of the German Railway Company, bearing interest at 5 per cent per annum plus 1 per cent for Sinking fund amounting in a normal year to a payment of 660 million gold marks. The text of this first mortgage bond lays down that interest shall be paid in two equal instalments, on March 1st and September 1st of each year.

On February 28, 1925, by virtue of this engagement, the German Railway Company paid to the credit of the Agent General at the Reichsbank, for the account of the Trustee, the sum of 100,000,000 gold marks, representing the first halfyearly instalment due on March 1, 1925. This payment was effected by the payment of an equivalent amount in Reichsmarks.

The Trustee has reason to hope that arrangements will shortly be concluded between the Agent General and the Company of German Railways whereby in future the half-yearly payments now provided for will be replaced by monthly payments.

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According to the Experts' Plan neither the Trustee nor the Railway Commissioner is a member of the Board of Directors. The Trustee merely keeps in permanent touch with the Commissioner and with the prominent Directors of the Company, and follows the

Company's development. In particular, he supervises the regular payment at the due dates of the sums laid down by the Experts' Report. It will be seen from the communications of the Railway Commissioner that the first months of operation by the Company have been satisfactory: the receipts of the enormous German system, now unified, are in accordance with the estimates; the operating ratio is normal for a beginning, but some time must elapse before a proper judgment can be formed. For this reason the Trustee believes that he should postpone for some months a complete and detailed report on the financial position of the Company, together with proposals in regard to the methods and conditions of the public issue of a first series of bonds.

Furthermore, information received from the most reliable sources makes it possible to state that the ready cash of the principal money markets cannot at present be employed in large credit operations, and that the Exchanges are awaiting the settlement of certain questions now being examined and negotiated by the principal European States. However, the Trustee wishes to state at the outset that in order to enable him to undertake successfully negotiations for the issue of a first series of bonds, when circumstances and the conditions of the international market are favourable, he must ask the Reparation Commission for a ruling authorising him to promise to the subscribers, for the service of the bonds to be issued a first charge on all sums in the hands of the Agent General for Reparation Payments, and to be distributed between the Powers interested in Reparation. This priority must however rank after the obligation of the same nature contracted in favour of the subscribers to the first loan of 800 million gold marks, and such a promise will no doubt appear fair and logical; the subscribers to the issue will require that the sums necessary for the service of interest and sinking fund be charged against the annuities prescribed by the Experts' report, since their operation really consists in substituting themselves practically for the Reparation creditors, in discounting a fraction of the annuities and in paying up capital in due proportion.

The Trustee has conferred several times with the Transfer Committee which also considers that the conditions of the financial markets are not now favourable to a first issue of the bonds, but the Committee has assured the Trustee that it will be glad to consider the question further, in co-operation with the Trustee, when the time is opportune. The form which the Transfer Committee's action will take cannot be defined at this time, but will have to be the subject of further study, in the light of conditions as they develop.

Léon DELACROIX.

2nd April 1925.





